

House File 348 - Introduced

HOUSE FILE 348

BY MITCHELL

A BILL FOR

- 1 An Act creating the manufacturer activities tax credit
- 2 available against the individual and corporate income taxes,
- 3 and including effective date and applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11X **Manufacturer activities**
2 **tax credit.**

3 1. The taxes imposed under this subchapter, less the
4 credits allowed under section 422.12, shall be reduced by a
5 manufacturer activities tax credit.

6 2. The manufacturer activities tax credit shall equal the
7 product of the following:

8 a. Five percent.

9 b. Net income derived from the sale, lease, rental, license,
10 exchange, or other disposition of tangible personal property
11 that is a product of manufacturing on property classified and
12 taxed as industrial property in Iowa.

13 3. Any credit in excess of the tax liability is not
14 refundable but the excess for the tax year may be credited to
15 the tax liability for the following fifteen years or until
16 depleted, whichever is earlier.

17 4. An individual may claim the manufacturer activities tax
18 credit if the business is a partnership, S corporation, limited
19 liability company, or estate or trust which elects to have the
20 income taxed directly to the individual.

21 5. As used in this section:

22 a. (1) "*Manufacturer*" means a business that primarily
23 purchases, receives, or holds tangible personal property of any
24 description for the purpose of adding to its value by a process
25 of manufacturing with a view to selling the property for gain
26 or profit.

27 (2) "*Manufacturer*" includes contract manufacturers. A
28 contract manufacturer is a manufacturer that otherwise falls
29 within the definition of manufacturer, except that a contract
30 manufacturer does not sell the tangible personal property
31 the contract manufacturer processes on behalf of other
32 manufacturers.

33 b. (1) "*Manufacturing*" includes activities commonly
34 understood within the ordinary meaning of the term, and shall
35 include:

- 1 (a) Refining.
- 2 (b) Purifying.
- 3 (c) Combining of different materials.
- 4 (d) Packing of meats.
- 5 (e) Activities subsequent to the extractive process of
- 6 quarrying or mining, such as crushing, washing, sizing, or
- 7 blending of aggregate materials.

8 (2) "*Manufacturing*" does not include the following

9 activities:

- 10 (a) Producing, transmitting, or distributing electricity
- 11 or natural gas, or distributing water by a piped distribution
- 12 system to the public for compensation.
- 13 (b) Agricultural production as defined in section 423.1.
- 14 (c) Construction contracting.
- 15 (d) Repair of tangible personal property or real property.
- 16 (e) Sale of property taxed as industrial property.
- 17 (f) Transporting for hire.

18 (3) "*Manufacturing*" does not include activities occurring

19 on premises primarily used to make retail sales, and does not

20 include professions, occupations, and nonprofit organizations.

21 6. The department of revenue shall adopt rules pursuant to

22 chapter 17A to administer this section.

23 Sec. 2. Section 422.33, Code 2021, is amended by adding the

24 following new subsection:

25 NEW SUBSECTION. 23. The taxes imposed under this subchapter

26 shall be reduced by a manufacturer activities tax credit

27 authorized pursuant to section 422.11X.

28 Sec. 3. EFFECTIVE DATE. This Act takes effect January 1,

29 2022.

30 Sec. 4. APPLICABILITY. This Act applies to tax years

31 beginning on or after January 1, 2022.

32 EXPLANATION

33 The inclusion of this explanation does not constitute agreement with

34 the explanation's substance by the members of the general assembly.

35 This bill creates the manufacturer activities tax credit

1 available against individual and corporate income taxes.

2 The amount of the credit equals the product of the following:
3 5 percent; and net income derived from the sale, lease, rental,
4 license, exchange, or other disposition of tangible personal
5 property manufactured on property classified and taxed as
6 industrial property in Iowa.

7 The bill defines "manufacturer" to mean a business that
8 primarily purchases, receives, or holds tangible personal
9 property of any description for the purpose of adding to its
10 value by a process of manufacturing with a view to selling
11 the property for gain or profit. A manufacturer includes a
12 contract manufacturer. Manufacturing includes activities
13 commonly understood within the meaning of the term, including
14 refining, purifying, combining different materials, packing of
15 meats, and activities subsequent to the extractive process of
16 quarrying or mining.

17 The following activities are not considered manufacturing
18 under the bill: producing, transmitting, or distributing
19 electricity, natural gas, or water; agricultural production;
20 construction contracting; repair of tangible personal property
21 or real property; sale of property taxed as industrial
22 property; and transporting for hire. The bill also excludes
23 the following from manufacturing: activities occurring on
24 premises primarily used to make retail sales, professions,
25 occupations, and nonprofit organizations.

26 The bill takes effect January 1, 2022, and applies to tax
27 years beginning on or after that date.